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A New Agenda for South Africa --- Mbeki's Detailed Plan Aims to Enrich Lives at Home, Stature Abroad

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Johannesburg, South Africa -- BACKED BY A MANDATE from nearly 70% of voters, South African President Thabo Mbeki is shifting his country from the sweeping politics of revolution and racial reconciliation to the nuts-and-bolts politics of economics and government delivery.

Mr. Mbeki's second-term agenda -- expanding public works, increasing rail capacity, providing clean water to every citizen -- may seem workaday. But the stakes are enormous and extend far beyond South Africa. Despite a long list of troubles in Africa, solid performances by governments in places such as Botswana and Mozambique have kept alive hope for a better future on the continent. South Africa -- with a population of about 45 million, a stable democracy and an economy that churns out more than 38% of sub-Saharan Africa's gross domestic product -- is the continent's best-equipped nation to provide indigenous economic and political leadership.

Beyond South Africa's borders, Mr. Mbeki has his sights on nothing less than an "African renaissance" that would strengthen the continent politically and economically and "restore the dignity of Africans everywhere."

This year, his state-of-the-nation address was technocratic -- but it won rave reviews for setting specific government goals, making every minister accountable. "There's no particular pressure about winning the next election," Mr. Mbeki told The Wall Street Journal, so a "grand speech" isn't necessary. Instead, "you end up focusing on the details."

Mr. Mbeki has won plaudits for directing South Africa's economic policy since he was deputy president under Nelson Mandela. And he has positioned the country for a leading role in the African Union and its economic platform, the New Partnership for Africa's Development. But he also damaged his international standing with his handling of one of his nation's biggest challenges: the AIDS epidemic, which has spread to about 10% of the population.

Shortly before this year's election, Mr. Mbeki's cabinet agreed to provide AIDS drugs to all South Africans who need them. Going against mainstream AIDS science, Mr. Mbeki previously questioned whether these drugs were too toxic and delayed their use in government clinics and hospitals, leaving many thousands to die prematurely. While the AIDS fiasco has left lingering doubts about the president's judgment -- and while critics charge the government's provision of AIDS drugs is proceeding too slowly -- his cabinet's decision may well have put the worst of the controversy behind him.

Mr. Mbeki's record landslide victory in April has made him more confident and sure-footed, say many observers. Since then, he has helped broker a power-sharing accord in war-torn Burundi, and played a key role in convincing Sudan to allow African Union forces into genocide-riven Darfur.

At home, the 62-year-old Mr. Mbeki is using his mandate to tackle one of his country's core problems -- what he refers to as its "two economies," amounting to two starkly disconnected populations. The first economy is an exporter of BMWs, a skilled purveyor of telecommunications and banking services and a major producer of raw materials such as gold and platinum.

The second isn't really an economy at all; it is the sector of society that includes the unemployed, who account for as much as 42% of the working-age population. These South Africans, many of them shoved by

the apartheid government into rural areas where they did their best to live as subsistence farmers, are barely literate and many have never held a formal job. They are virtually unemployable in the high-skill jobs market.

Mr. Mbeki's plan applies different prescriptions to each sector. For the mainstream economy, he aims to attract investment by sticking with the government's macroeconomic discipline and by lowering the cost of doing business in South Africa.

In this year's economic-freedom index -- an annual survey by Canada's Fraser Institute of how business-friendly countries are -- South Africa ranked 44th of 123 nations, slightly behind Japan but ahead of France, Thailand and Israel. Given South Africa's politics and history, some strategies to make the country more business-friendly likely would meet stiff opposition. Its powerful labor unions strongly back pro-worker laws, and the black middle class supports "black economic empowerment" -- a policy that presses white-owned companies to sell chunks of equity to blacks, but which has been criticized for creating a coterie of black tycoons closely allied to Mr. Mbeki's ruling party.

Instead, to lower the cost of doing business, Mr. Mbeki is cracking the whip on -- but not privatizing -- quasi-state-owned companies such as Transnet, the transportation conglomerate that owns everything from the nation's ports and railroads to its flagship airline. He has pledged his government will open a major new shipping port by September 2005, and that it will expand rail capacity 30% by 2009. He also has vowed to quickly license a private competitor to the state-owned phone operator, whose prices are high relative to those in other countries.

For the abject second economy, Mr. Mbeki says South Africa will "go the route of a New Deal," launching an expanded public-works program designed to transfer skills -- and provide temporary jobs -- to more than a million South Africans over the next five years. His government also is reinvigorating skills-training and adult-education programs, and is turbocharging its microcredit system to help incubate small businesses. He promises every household will have running water within five years, and electricity within eight.

Mr. Mbeki rejects the notion that market forces alone can pull up the second economy. He said that "we've got no money, there is no market here, there is no road to get to me, and so why must you expect a private investor to go and invest there? It's a responsibility of the public sector" to help those areas to attract investors.

That viewpoint -- along with his attacks on rampant individualism -- have led critics to charge that Mr. Mbeki is unleashing a "full-frontal attack on free-market economics," as the financial paper Business Day recently put it. That is a shift from Mr. Mbeki's first term in office and from when he was deputy president, when he was criticized by the country's left wing for promoting a policy that prioritized controlling state spending and privatizing state-owned industries.

Neither of these analyses helps to understand Mr. Mbeki, a former leader of the South African Communist Party who says he was guided toward capitalism by a cautionary tale told to him by Fidel Castro: When Cuba nationalized the Bacardi rum plant, the Bacardi family trademarked its brand outside Cuba. So even though Mr. Castro's government was producing rum in the Bacardi vats, it couldn't sell it under that world-renowned name. For Mr. Mbeki, the point was clear: In trying to run global businesses, revolutionary governments are out of their depth.

This pragmatic streak and the willingness to take advice from eclectic sources are key to Mr. Mbeki's character, say people who know him, and key to understanding his economic policy. Mr. Mbeki also thinks about the broader political consequences of poverty. According to Mojanku Gumbi, a close adviser, the president believes that "social instability will sink all of us, black and white."

Start Small, Think Big

President Thabo Mbeki aims to lead a continent-wide renaissance, starting with improvements in South Africans' quality of life. How they are faring:

	1996	2001
Adult literacy	83%	89%
Households with access to clean water	80	85
Households using electricity for lighting	58	70
Households in formal housing	58	64
Households with chemical or flush toilets	51	52
People who have completed Grade 12 schooling	16	20

Source: South African Census

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